
Appropriations Committee

HB 2691

Brief Description: Creating optional public retirement benefits for justices and judges.

Sponsors: Representatives Crouse, Fromhold, Conway, Lovick, Bailey, Kenney and Quall; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Provides justices and judges who are members of the Public Employees' Retirement System (PERS), Plans 1 and 2 with a 3.5 percent of pay per year of service benefit to a maximum benefit of 75 percent of pay.
- Provides justices and judges who are members of the Public Employees' Retirement System (PERS), Plan 3 a 1.6 percent of pay per year of service benefit to a maximum benefit of 37.5 percent.
- Justices and judges serving prior to January 1, 2007 have the option of ceasing participation in the Judicial Retirement Account, and accruing service at the higher benefit multipliers.
- The benefits are provided as an option for current justices and judges, and is mandatory for all those newly appointed or elected after January 1, 2007.

Hearing Date: 1/23/06

Staff: David Pringle (786-7310).

Background:

Since July 1, 1988, newly elected or appointed judges and justices have become members of the Public Employees' Retirement System (PERS) Plan 2. Since March 1, 2002, judges and justices without previously established PERS membership have had the choice to enter PERS Plan 2 or Plan 3.

The PERS Plan 2 provides members with an unreduced benefit of 2 percent of average final compensation for each year of service credit earned at age 65. The PERS Plan 3 provides members with an unreduced benefit of 1 percent per year of service credit earned at age 65, plus an individual member account of accumulated employee contributions plus investment earnings. A

member of PERS Plan 2 or 3 may include any number of years of service towards the 2 percent or 1 percent formula in calculating their retirement benefit.

State-employed justices and judges, including those on the Washington Supreme Court, Courts of Appeals, and Superior Courts, also participate in a supplemental defined contribution program called the Judicial Retirement Account (JRA). The JRA was established in 1988, and members and employers each contribute 2.5 percent of pay to an individual member account. Distribution of the JRA is available to the member upon retirement as a lump-sum, or in other payment forms as made available by the administering agency, the Administrator of the Courts.

Between 1937 and 1971, judges participated in the Judges' Retirement Plan, and between 1971 and 1988, the Judicial Retirement System. Both plans offered a benefit capped at 75 percent of pay that could be accrued after approximately 21.5 years of service. Both systems are funded on a pay-as-you go basis, with member contributions between 6.5 percent and 7.5 percent of pay, and state contributions averaging in excess of 40 percent of pay. Judges who established membership in PERS Plan 1 prior to October 1, 1977, and who became judges after the closure of the Judicial Retirement System in 1988 remain members of PERS Plan 1.

Currently there are about 210 justices and judges at the Supreme Court, the Courts of Appeals, and the Superior Courts. In addition, there are about 230 District and Municipal Court judges. Superior Court judges, on average, become members of PERS at about 40 years of age - though some may first become PERS members in positions other than as judges. The average Superior Court judge retired in 2004 with a benefit from PERS Plan 2 of \$4,751 per month, based on a salary of \$9,502 per month and 25 years of service, and an accumulation in his or her JRA account of about \$277,000.

Summary of Bill:

Additional Benefits

A justice or judge of the Supreme Court, Courts of Appeals, or Superior Courts participating in PERS and the JRA prior to January 1, 2007 may elect to discontinue future employee and employer contributions into the JRA and earn a total 3.5 percent of average final compensation per year defined benefit, if a member of the Teachers' Retirement System (TRS) Plan 1, PERS Plan 1 or Plan 2, and a total 1.6 percent defined benefit if a member of PERS Plan 3.

The JRA is closed to any justice or judge of the Supreme Court, Courts of Appeals, or Superior Courts newly elected or appointed after January 1, 2007, and if they have not previously established PERS membership. These justices and judges will become members of PERS 2 and earn a retirement benefit equal to 3.5 percent of average final compensation per year of service credit.

A District or Municipal Court Judge participating in PERS prior to January 1, 2007, may elect to earn a total 3.5 percent of average final compensation per year defined benefit, if a member of PERS Plan 1 or Plan 2, and a total 1.6 percent defined benefit if a member of PERS Plan 3. Any District or Municipal judge first eligible to participate in PERS after January 1, 2007, must become a member of Plan 2.

A justice or judge with PERS service earned as a judge prior to electing to accrue the 3.5 percent or 1.6 percent per year benefit may elect to increase the benefit multiplier on past years of service by paying the actuarially equivalent value of the increase in the member's benefit. This payment

must be made prior to retirement, and all or part of the payment may be made by an transfer from an eligible retirement plan according to rules adopted by the Department of Retirement Systems.

A justice or judge participating in the 3.5 percent multiplier provisions provided for TRS Plan 1 and PERS Plan 1 or 2 may not accrue a benefit, in combination with benefits accrued prior to January 1, 2007, in excess of 75 percent of average final compensation. A justice or judge participating in the 1.6 percent of average final compensation provisions provided for members of PERS Plan 3 may not accrue a benefit, in combination with benefits accrued prior to January 1, 2007, in excess of 37.5 percent of average final compensation.

Contribution Rates

The employer contribution rate to PERS for justices and judges of the Supreme Court, Courts of Appeals, or Superior Courts is the established PERS employer contribution rate for general members, plus 2.5 percent of pay. The employee contribution rate to PERS for justices and judges of the Supreme Court, Courts of Appeals, or Superior Courts for members of PERS Plan 2 is 250 percent of the general PERS Plan 2 member contribution rate, less 2.5 percent of pay, and for members of PERS Plan 1 9.76 percent of pay.

For members of TRS serving as justices or judges of the Supreme Court, Courts of Appeals, or Superior Courts, the employer has the option to pay an additional contribution rate of up to 2.5 percent of pay, and the member contribution rate is 12.26 percent of pay, less any amount of the 2.5 percent of pay the employer opts to pay.

The employer contribution rate to PERS for judges of District and Municipal Courts is the established PERS employer contribution rate for general members, plus an optional 2.5 percent of pay. The employee contribution rate to PERS for judges of District and Municipal Courts for members of PERS Plan 2 is 250 percent of the general PERS Plan 2 member contribution rate, less any amount of the optional 2.5 percent of pay paid by the employer, and for members of PERS Plan 1 12.26 percent of pay less any amount of the optional 2.5 percent paid by the employer.

The optional employer contribution rates for TRS and PERS District and Municipal Court employers are not adopted by the Pension Funding Council.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2007.